



Policy Analysis

South Carolina Policy Council

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The Matthew Lesko Approach to Economic Development

The federal government is trying to run the U.S. economy – and South Carolina is helping out by taking federal grants for “economic development.” Why? Because it’s free money from the government! Here are four federal grants that illustrate what we mean . . .

1) Procurement Technical Assistance for Business Firms

What is it? The U.S. Department of Defense isn’t a place you would expect to find economic development programs, but DoD runs [this](#) one. Its aim is to teach businesses how to get government contracts. Essentially it’s a government contractor-in-training program: it teaches business how to shake down the feds for more money.

The University of South Carolina Small Business Development Center operates these grants. They receive \$123,000 in PTA grants per year. According to their federal justification form, the university anticipates receiving this money in the 2012-13 budget.

What strings are attached? The grant comes with a [1-to-1 match](#), as authorized by the state legislature. So, in effect, state taxpayers are giving money to state government that will be used, along with federal money, to get the federal government to spend more money. All clear?

2) The State Trade and Export Promotion (STEP) program

What is it? A [federal initiative](#) administered by the federal Small Business Administration, the STEP program is intended to “support” (translation: give tax dollars to) businesses that want to expand into foreign markets. The grant, administered by the South Carolina Department of Commerce, will provide “support” to private firms for such things as market research, travel to international marketplaces, and translators.

What strings are attached? The program comes with a state match. So if state lawmakers accept these federal dollars, we’re required, by federal decree, to use our own public dollars to fund private businesses’ market research and travel expenses.

3) Economic Development Technical Assistance

What is it? The Economic Development Technical Assistance grant, administered by the US Economic Development Administration (EDA), is awarded to state “University Centers” for the [purpose](#) of providing “technical assistance” to local economic development agencies and private companies.

“University Centers” are epicenters of federal economic planning. In South Carolina, for example, the EDA has decided to award its yearly University Center grant to the University of South Carolina’s Office of Intellectual Property. For what purpose? To provide “reasonably priced lab, office, and pilot manufacturing facilities for early stage incubation of newly-formed high-tech companies, and ‘graduation space’ for companies as they enter the growth stage.”

What strings are attached? The state would have to match this \$142,880 grant. In other words: Whatever support the feds send to help prop up state economic development programs, South Carolina taxpayers would have to match it. But why should state tax dollars go towards giving some private companies “lab, office, and pilot manufacturing facilities” at the expense of others? State lawmakers, however, will have the option of refusing the money.

4) Small Business Development Centers

What is it? Run by the U.S. Small Business Administration, the [Small Business Development Center program](#) is supposed to assist small businesses with “financial, marketing, production, organization, engineering, and technical problems and feasibility studies.”

What strings are attached? The University of South Carolina is requesting permission to accept a \$676,247 federal grant in next year’s state budget. If the General Assembly accepts the funds, the state will be statutorily obligated to pay \$676,247 of state dollars for the Small Business Development Center program.